



17 May 2017

The Hon Gladys Berjikklian MP
Premier of NSW
GPO Box 5341
SYDNEY NSW 2001

Premier, *Gladys*

Re: Competition review of the NSW urban water market

I am writing to request that you consider commissioning an independent review into competition frameworks in the NSW water sector; and also consider pausing the current (and overly limited) Independent Pricing and Regulatory Tribunal (IPART) review of wholesale water and wastewater pricing.

NSW adopted the *Water Industry Competition Act 2006* (WIC Act) in 2006, meaning there has been an appropriate time period to now consider the anticipated and actual benefit it has provided – and areas where additional competition might be fostered.

As you might also be aware, IPART will table its review of wholesale water and wastewater pricing purchased from Sydney and Hunter Water.

We are concerned that the terms of reference of this review are overly restrictive – and do not give proper regard to the overall objectives of the WIC Act, including the benefit of nascent competition in water services.

We recognise that wholesale pricing needs to be addressed and that the status quo is not in the long-run interests of NSW taxpayers, nor consumers or the public utilities themselves.

However, we also respectfully submit that efficient water pricing is a key outcome for the NSW economy, which is why IPART's wider regulatory role in the water industry - and the subject IPART study, should each have regard for emerging competition within the NSW urban water market.

I am concerned that the limited scope of the IPART review, which only considered wholesale pricing, may not have provided appropriate opportunities to consider the long-run benefits of new entrants and micro-utilities (including providers of water recycling) – potentially to the detriment of consumers and the wider community.

In this regard we note that the NSW Government's Metropolitan Water Plan released in March this year, also specifically recommended that your government: *"establish... an independent inquiry into barriers and enablers to the uptake of cost-effective water recycling, including consideration of potential regulatory and pricing reforms"*.



In this context, IPA agrees with the recommendation of the Metropolitan Water Plan and submit that any review of the NSW urban water market consider wholesale pricing alongside, not in isolation to, a review of wider market settings and objectives.

This would mean placing IPART's current review on hold, until a broader review has considered the role of competition in serving the long-term interests of consumers and the State.

I thank you for your consideration of this letter. In the meantime, should you require any further information please have your office contact IPA's Chief Economist & Head of Policy, Robert Montgomery on (02) 9152 6021 or robert.montgomery@infrastructure.org.au.

Yours sincerely,



BRENDAN LYON
Chief Executive Officer

CC: The Hon Don Harwin MLC, Minister for Resources, Minister for Energy and Utilities, and Minister for the Arts

